

## Message Text

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11

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 NEA-10 IO-10 /106 W

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R 220415Z DEC 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0583

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E. O. 11652: ADS, DECLAS 6/30/76

TAGS: EAID, EFIN

SUBJECT: BELGIUM PROPOSAL FOR ADB TO LEND NON-CONVERTIBLE

CURRENCIES

USADB

FOR NAC AGENCIES

PASS TREASURY FOR BUSHNELL/ZINMAN

REF: MANILA 17734

1. REFTEL PARAGRAPH 4 INCLUDED SUMMARY OF ORAL COMMENTS  
BY FRENCH DIRECTOR IN BEHALF OF BELGIAN GOVT AT DEC. 16  
MEETING OF ADB BOARD OF DIRECTORS.

2. ON DECEMBER 18, FRENCH DIRECTOR SUBMITTED FOLLOWING  
MEMORANDUM (USE OF NON-CONVERTIBLE CURRENCY PORTION  
IN PAID-IN CAPITAL OF BANK) TO ADB MANAGEMENT AND  
DISTRIBUTED COPIES TO ALL DIRECTORS AND ALTERNATES:

QUOTE

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3. IN THE COURSE OF THE BOARD MEETING OF DECEMBER 16  
ON THE SUBJECT OF A SECOND GENERAL INCREASE IN THE  
BANK'S CAPITAL STOCK, I MADE, INTER ALIA, THE FOLLOWING  
STATEMENT:

UNNER QUOTE---LET ME ALSO TURN TO ONE POINT OF SPECIAL  
INTEREST TO THE BELGIAN AUTHORITES. THEY WOULD LIKE THE  
BANK TO EXPLORE ALL POSSIBILITIES IN ORDER TO MAKE IN  
THE FUTURE LENDING OPERATIONS A WIDER AND MORE EFFECTIVE  
USE OF THE NON-CONVERTIBLE CURRENCY PORTION IN ITS  
PAID-IN CAPITAL AMOUNTING PRESENTLY TO NOT LESS THAN  
224 MILLION DOLLARS EQUIVALENT. THAT PORTION CONSISTS  
OF THE PROMISSORY NOTES DEPOSITED BY THE DEVELOPING MEMBER  
COUNTRIES WITH THE BANK. IF THE LATTER WOULD AGREE TO  
A PARTIAL ENCASHMENT OF THESE NOTES, THE BANK COULD LEND  
TO ITS BORROWERS NON-COVERTIBLE CURRENCY INSTEAD OF  
FOREIGN EXCHANGE IN MEETING SOME OF THE LOCAL EXPENDITURES.  
FURTHERMORE, SUPPLIERS ORIGINATING FROM DEVELOPING MEMBER  
COUNTRIES COULD BE PAID TO SOME EXTENT, IN THE CURRENCY  
OF THEIR RESPECTIVE HOME COUNTRIES. THE BANK, IN ADOPTING  
SUCH POLICY, COULD EXPAND ITS OPERATION WITHOUT PUTTING  
HEAVIER STRAIN ON ITS HOLDING OF CONVERTIBLE CURRENCIES.  
THE ARGUMENTS AGAINST THE USE OF ITS NON-COVERTIBLE  
CURRENCY HOLDING AS SET OUT IN THE DOCUMENT R65-74  
("LENDING FOREIGN EXCHANGE FOR LOCAL CURRENCY EXPENDI-  
TURES ON PROJECTS") ARE, IN OUR OPINION, FAR FROM  
BEING CONVINCING. END INNER QUOTE

4. IT WOULD BE APPRECIATED IF YOU COULD EXPLORE THE  
SUGGESTION MADE BY THE BELGIAN AUTHORITIES AND SUBMIT  
TO THE BOARD A RELEVANT WORKING PAPER . END QUOTE

5. USADB INTENDS TO SUPPORT BELGIAN GOVT REQUEST FOR  
BANK WORKING PAPER ON USE OF NON-CONVERTIBLE  
CURRENCIES. USADB WOULD APPRECIATE VIEWS SOONEST.  
SULLIVAN

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## Message Attributes

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